



AMERICANS *for* TAX REFORM

Grover G. Norquist
President

August 16, 2017

RE: Protecting American innovation and the intellectual property of American companies

We are pleased to see President Trump taking state-sanctioned threats to American intellectual property seriously.

We believe China has been particularly brazen in coopting American innovation and profiting from American investment in research, development, and intellectual capital particularly through practices that restrict market entrance on technology transfers.

Americans for Tax Reform has long supported strong intellectual property rights at home and abroad. Along with 69 groups we have developed generally agreed upon principles as to the importance of intellectual property protection, please find the coalition letter from February 2017 attached. These principles include that IP rights are vital to job growth and economic competitiveness, and IP rights must be protected internationally in trade agreements. From the letter:

Intellectual Property Rights are Vital to Job Growth & Economic Competitiveness

IP rights create jobs and fuel economic growth, turning intangible assets into exclusive property that can be traded in the marketplace.

The most recent report on IP-related jobs in the U.S., by the Department of Commerce and the Patent and Trademark Office, found that in 2014, direct employment in the most IP intensive industries accounted for 27.9 million jobs. Indirect activities associated with those industries provided an additional 17.1 million jobs, for a total of 45 million jobs, or 30 percent of all jobs in the economy.

The report also found that IP-intensive industries added \$6.6 trillion to the value of GDP in 2014, equal to 38.2 percent of total GDP. In a knowledge-based global economy, America's ability to remain a world leader in creativity and innovation depends on strong protection of IP.

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**Intellectual Property Rights Must Be Protected
Internationally Through Effective IP Provisions in Trade
Agreements**

Far too many foreign governments look the other way when it comes to the theft of IP. State-sanctioned IP theft from other countries costs the U.S. economy more than \$320 billion annually.¹ The lure of access to the U.S. market should be used as an incentive to convince trading partners that they should increase their protection of IP rights. Therefore, strong IP protections are integral to all trade agreement negotiations.

We look forward to the results of USTR's investigation, and are available to be helpful to you on this and other intellectual property issues you may encounter.

Please contact Katie McAuliffe, kmcauliffe@atr.org, or Lorenzo Montanari, lmontanari@atr.org and phone, 202-785-0266, with any questions or comments.

Onward,



Grover G. Norquist

INTELLECTUAL PROPERTY GUIDELINES

FOR THE TRUMP ADMINISTRATION & 115TH CONGRESS

An Open Letter



Congratulations to the Trump Administration and Members of the 115th Congress!

It is an exciting time for America, particularly in the knowledge-based economy. American entrepreneurship, ingenuity and creativity lead the world, and we believe that intellectual property (IP) rights are a key ingredient in job creation.

The undersigned organizations represent millions of Americans through both state and national advocacy or engage in rigorous research and educational work on intellectual property rights. We would like to share with you the following information and guidelines that our respective organizations look to when we consider our strong support for intellectual property rights.

Intellectual Property Rights Are Grounded in the Constitution

The Founding Fathers recognized the importance of IP in Article 1, Section 8 of the Constitution: "To promote the Progress of Science and useful Arts, by securing for limited times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."

This clause, articulated by the founders, is rooted in the notion that the best way to encourage creation and dissemination of new inventions and creative works to the benefit of both the public good and individual liberty is to recognize one's right to his or her intellectual property.

Intellectual Property Rights Are a Fundamental Property Right Deserving the Same Respect as Physical Property

James Madison elaborated on this provision of the Constitution in Federalist Paper #43: With regard to intellectual property, as with all property rights protected in the common law, "[t]he public good fully coincides ... with the claims of individuals."

IP rights are not regulations—they are property rights that, when combined with the freedom to contract, facilitate markets. Government limitations and restrictions on property rights and licensing cause friction in the function of markets. No one would say that the right to keep people out of your home is a regulation: it is a right of ownership. It is the limitations on the use of one's property that are regulations.

Intellectual Property Rights Promote Free Speech and Expression

Strong IP rights go hand-in-hand with free speech as creators vigorously defend their ability to create works of their choosing, free from censorship.

By affording innovators and creators the ability to support themselves, IP rights promote free expression unencumbered by government.

Intellectual Property Rights are Vital to Job Growth & Economic Competitiveness

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The report also found that IP-intensive industries added \$6.6 trillion to the value of GDP in 2014, equal to 38.2 percent of total GDP. In a knowledge-based global economy, America's ability to remain a world leader in creativity and innovation depends on strong protection of IP.

Intellectual Property Rights Must Be Protected Internationally Through Effective IP Provisions in Trade Agreements

Far too many foreign governments look the other way when it comes to the theft of IP. State-sanctioned IP theft from other countries costs the U.S. economy more than \$320 billion annually.¹ The lure of access to the U.S. market should be used as an incentive to convince trading partners that they should increase their protection of IP rights. Therefore, strong IP protections are integral to all trade agreement negotiations.

Intellectual Property Rights Are Integral to Consumer Protection and National Security

IP rights protect consumers by enabling them to make educated choices about the safety, reliability, and effectiveness of their purchases. In 2014, consumer electronics and parts represented 24 percent of total counterfeit goods seized, presenting a dangerous risk to American consumers if those products malfunction.²

Illegal intangible goods are also dangerous. One-third of websites offering stolen movies and television shows were found to contain malware, putting consumers at risk of identity theft, credit card fraud, and more.³

The protection of IP rights is also vital to national security to prevent counterfeit parts, which compromise the reliability of weapons systems and the safety of military personnel, from entering the defense supply chain. A May 21, 2012 Senate Armed Services Committee report revealed 1,800 cases of counterfeiting, involving more than 1 million parts.⁴

Intellectual Property Rights Must Be Respected and Protected on the Internet

The internet is an incredible platform for innovation, creativity and commerce enabling widespread distribution of ideas and information. However, IP theft online is a persistent and growing problem. For example, between 2001 and 2015, U.S. recorded music revenues fell from \$14 billion to \$7 billion—losses largely attributed to online theft.

Protecting IP and internet freedom are both critically important and complementary—they are not mutually exclusive. A truly free internet, like any truly free community, is one where people can engage in legitimate activities safely, and where bad actors are held accountable.

Voluntary Initiatives to Address Intellectual Property Theft Are Positive

Good faith actors in the internet ecosystem should engage in private sector, voluntary initiatives to address illegal conduct. These voluntary efforts can empower consumers to make educated decisions about their online activities and encourage creativity, innovation, investment and jobs.

We encourage you to consider these guidelines as you review and discuss existing laws and regulations governing IP. The Founding Fathers understood that by protecting the proprietary rights of artists, authors, entrepreneurs, innovators, and inventors, they were promoting the greater public welfare. The continued protection of these fundamental rights is essential to American innovation and competitiveness.

¹ http://www.ipcommission.org/report/IP_Commission_Report_052213.pdf

² <https://www.cbp.gov/sites/default/files/documents/2014%20IPR%20Stats.pdf>

³ <https://media.gractions.com/314A5A5A9ABBBBC5E3BD824CF47C46EF4B9D3A76/0f03d298-aedf-49a5-84dc-9bf6a27d91ff.pdf>

⁴ <http://www.armed-services.senate.gov/press-releases/senate-armed-services-committee-releases-report-on-counterfeit-electronic-parts>

Sincerely,

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Thank You